

# **FISCAL NOTE**

## **HB 3655**

March 27, 2006

**SUMMARY OF BILL:** Creates the “Norris Lake Resort District Act”. Authorizes any county ranking in the first quartile of county economic distress and bordering on, or crossed by, Norris Lake, the option of receiving a 4.5925% allocation of actual sales tax collections remitted from such county, in lieu of the 4.4194% share of state-shared tax revenue based on population. Requires 50% of any incremental revenue gained from the special election to be used exclusively for the promotion and support of tourism in such areas. Authorizes municipalities within a county the option of becoming a Norris Lake Resort District (NLRD) under specified circumstances. Requires the Department of Economic and Community Development (ECD) to publish a map of those counties ranking in the first quartile of economic distress. Authorizes the sale of wine and other alcoholic beverages within a NLRD.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$8,250 One-Time**

**Decrease State Revenues – Exceeds \$485,000**

**Increase Local Govt. Revenues – Exceeds \$485,000**

**Other Fiscal Impact - Alcoholic beverage taxes could increase as a result of this bill. Any amount that would be collected is dependent upon the number of establishments that obtain the necessary licenses to sell wine and liquor-by-the-drink. The increase to state and local government revenues resulting from tax levied on alcoholic beverages is unknown but estimated to be significant.**

#### Assumptions:

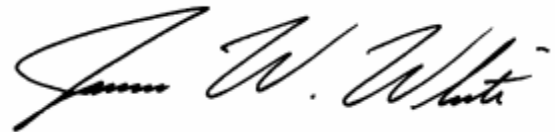
- A two-thirds vote of the applicable legislative body is required in order to become a NLRD.
- According to ECD, three counties would be eligible for NLRD status: Campbell County, Claiborne County, and Grainger County.
- In addition, four municipalities within Campbell County would be eligible for NLRD status: Caryville, Jacksboro, Lafollette, and Lake City.
- No municipalities appear to be eligible from Claiborne or Grainger Counties.

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- According to the Department of Revenue, all three counties and one municipality (Lafollette) would benefit by electing NLRD status.
- Public Chapter 505 of 2005 allows Campbell County, and thus the City of Lafollette, a special sales tax allocation to support tourism related development on Norris Lake.
- It is assumed that Campbell County and the City of Lafollette would be excluded from NLRD status due to the existing special allocation.
- According to the DOR, Claiborne County would receive an additional \$335,000 and Grainger County would receive an additional \$150,000.
- The decrease to state revenues is estimated to be \$485,000 (\$335,000 + \$150,000 = \$485,000).
- The increase to local government revenues is estimated to be \$485,000.
- Alcoholic beverage taxes could increase as a result of this bill. The amount that would be collected is dependent upon the number of establishments that obtain the necessary licenses to sell wine and liquor-by-the-drink.
- The increase to state and local government revenues from tax levied on alcoholic beverages is unknown, but estimated to be significant.
- One-time state expenditures for computer programming and software enhancements are estimated to be \$8,250.
- This act shall take effect January 1, 2007.

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director